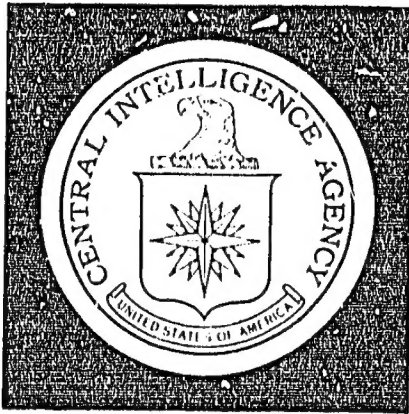


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SEC., NFD 20 OCT. 71 01 of 01

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*COMMUNIST CHINA: There are mounting indications that a controversy over Lin Piao's political position may be at the root of the unsettled leadership situation in Peking.

25X1X

[redacted] the latest issue of China Pictorial, which features Mao Tse-tung and Lin Piao together on its front cover, is unavailable in the capital. The [redacted] the display at Peking airport of the recently published set of colored photographs of Mao does not include those showing him with Lin, although the full set is on display at several other locations in the capital. [redacted]

25X1X

25X1X

25X1X

These alterations in Peking's hagiology, taken with the absence of incantations to Lin's political rectitude in domestic propaganda over the past two weeks, seem to point to an effort to downplay Lin going beyond what would be required if his problem was purely physical. If Lin were dead, it seems unlikely that Peking would have delayed an announcement this long. Lin's physical inability to carry on with his duties would obviously initiate major changes in the regime's pecking order but it seems unlikely that while a new power equation was being worked out Peking would omit references to Lin as it appears to be doing. Thus, while Lin may not yet be out of the picture it seems increasingly possible that his future political status is still being weighed in Peking.

(continued)

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This impression is reinforced [REDACTED]

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[REDACTED] the problem of collective leadership has been under discussion in Peking since perhaps late August. [REDACTED]

25X1C

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[REDACTED] an attempt may be under way to multiply the number of vice chairmen of the party. Such an alteration could easily have created a major problem, given the complex mix of rivalries in the ruling elite between moderate and radical forces, between civilian and military leaders, and between regionally and centrally based power holders. (SECRET NO FOREIGN DISSEM)

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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ARAB CONFEDERATION: There are signs of Libyan unhappiness with Egypt and Syria, the other states in the new Confederation of Arab Republics (CAR).

A front-page article in a Libyan armed forces newspaper attacking President Sadat's visit to Syria last week has stirred speculation that Prime Minister Qadhafi is at odds with his confederation partners. The article, which presumably reflects the position of the Revolutionary Command Council, charged that bilateral agreements concluded during the talks, particularly one calling for closer collaboration between the Syrian and Egyptian political organizations, were in violation of the CAR constitution. Resentment that Tripoli was not consulted is implicit in the newspaper's censure.

There have been other signs of friction between Libya and its CAR allies since the confederation was formed on 1 September. A Beirut newspaper, citing an official Syrian source, reported yesterday that President Asad was greatly irritated at Qadhafi's arrogant performance at the first CAR presidential council meeting earlier this month. According to this account, Asad and Sadat voted Qadhafi down on a number of proposals. Perhaps reflecting strains from the council meeting, Qadhafi reportedly has banned two Egyptian newspapers including the semi-official al Ahram. The Libyans also issued new visa regulations, apparently in anticipation of an influx of Egyptians and Syrians seeking employment as citizens of the confederation. Whatever the dimensions of the rift, Sadat recently said he will visit Libya "in the near future."
(SECRET NO FOREIGN DISSEM)

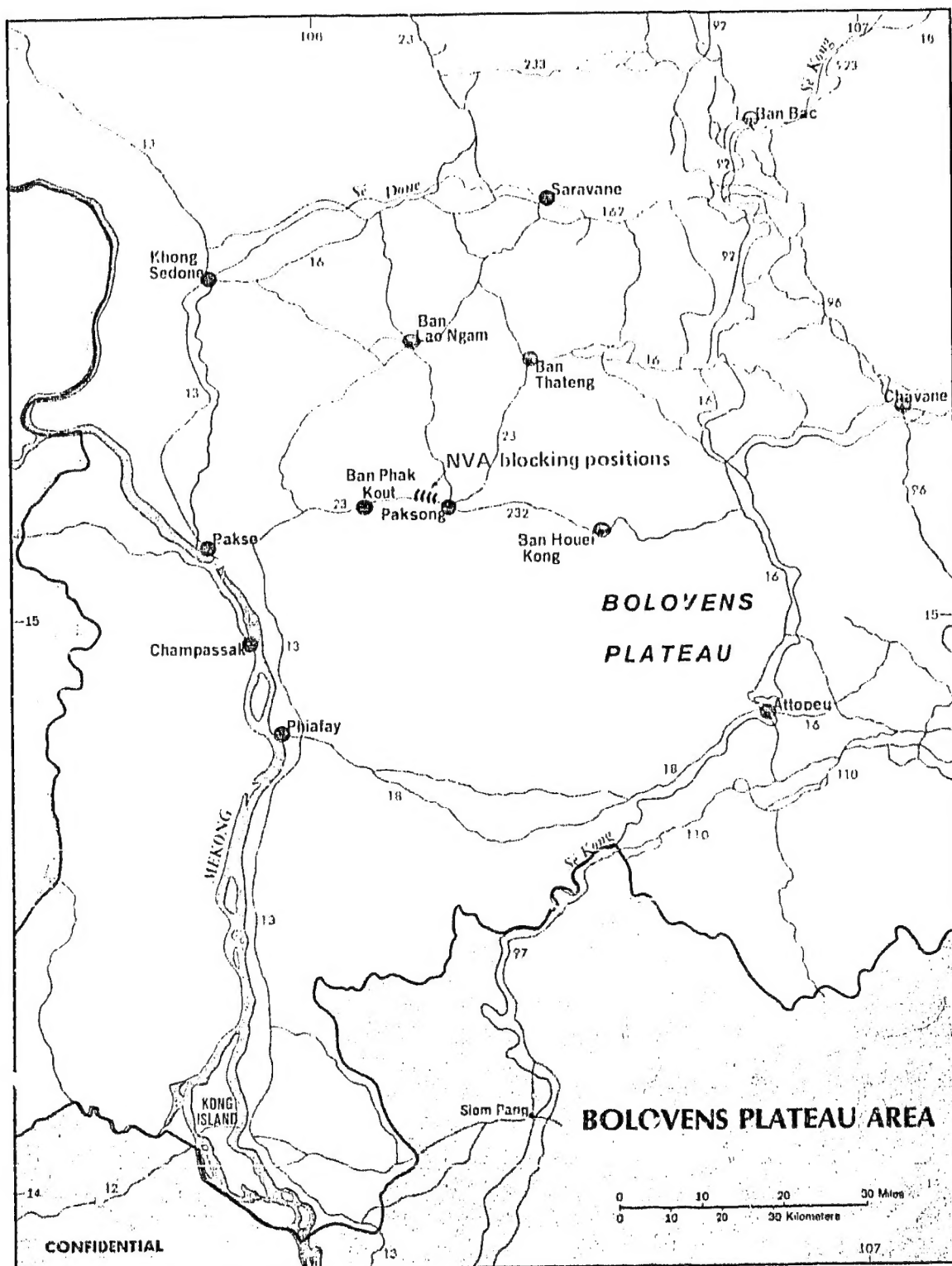
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- Government-held location
- Communist-held location

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LAOS: Government units on the Bolovens Plateau in south Laos are still meeting heavy enemy pressure.

A four-battalion irregular task force remains stalled by determined North Vietnamese resistance on Route 23 some four miles west of Paksong. Government commanders and US observers believe that the Communists are prepared for a bunker-by-bunker defense of these positions, necessitating a slow and hazardous operation by the task force and close tactical air support.

A Lao Army task force has been trying to improve its defensive positions in Paksong town. The three army battalions--plus one company providing security for two 105-mm. howitzers--number only about 925 men, some 40 percent under their authorized strength. Not only has this adversely affected their ability to patrol aggressively, it also is creating morale problems. Paksong's defenses were strengthened by an irregular battalion that was recently moved into the town; it is attempting to harass Communist units that have stalled the task force on Route 23. As long as the road remains blocked, however, Paksong will be vulnerable to any determined North Vietnamese assault.

The Communists' tenacious defense and their recent introduction of heavy machine guns into the Paksong area suggest that they will try to retake the town in the near future. The Communists had earlier shifted elements of three combat battalions from other areas of the Bolovens Plateau closer to Paksong. (SECRET NO FOREIGN DISSEM)

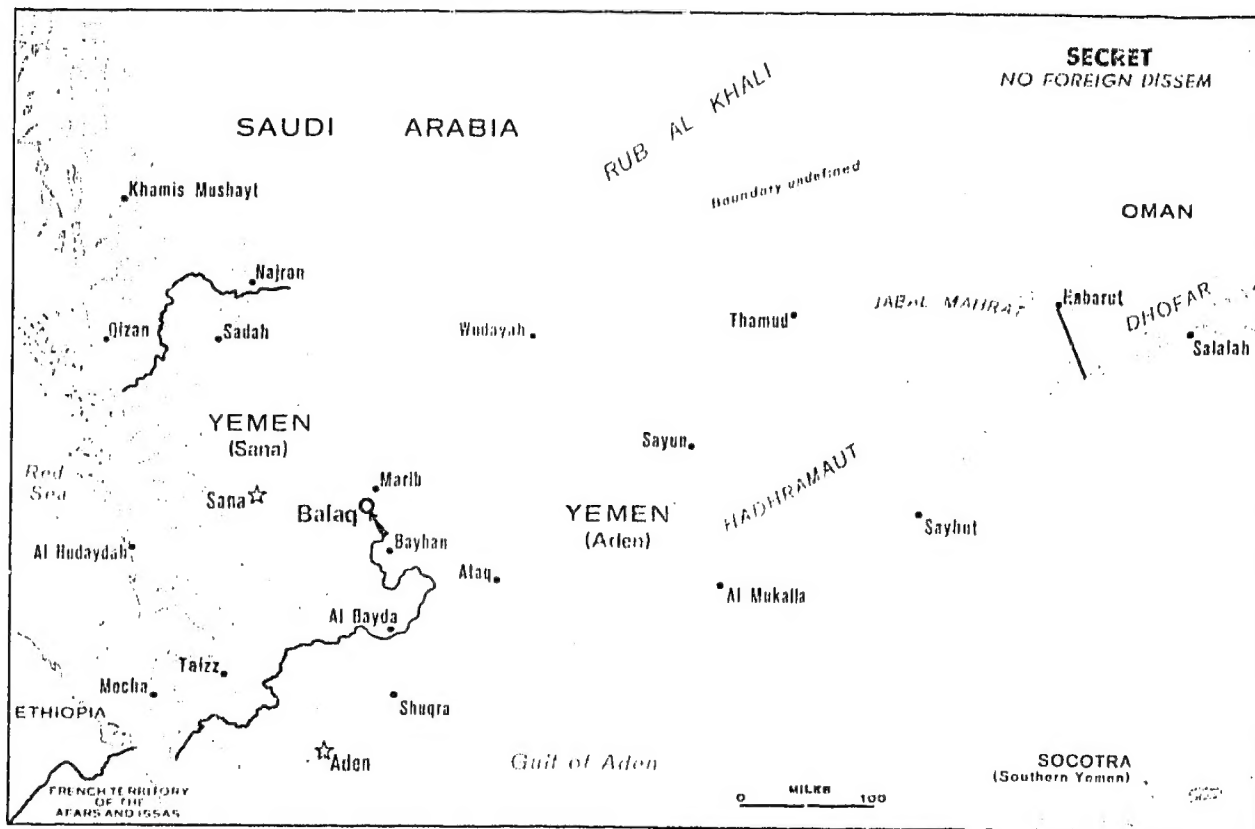
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Adeni Incursion into Yemen (Sana)



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YEMEN (ADEN) - YEMEN (SANA): Several hundred Adeni Army and National Guard troops have reportedly crossed into Yemen (Sana) in a punitive raid against dissident tribesmen.

25X1C

The Adeni troops have moved about 25 miles into Yemen, capturing the village of Balaq [REDACTED] [REDACTED] The attack was supported by fighter aircraft. The defending forces have pulled back to the mountains ten miles from Balaq. The incursion appears to be a "hit-and-run" expedition against dissident groups who have been using the area as a sanctuary while laying mines and engaging in other guerrilla activities in Yemen (Aden).

25X1C

The border crossing by Adeni regulars will exacerbate the already tense relations between the Sana and Aden governments. Sana Premier Muhsin al-Ayni, although disturbed by recent bombings in Sana and Taiz which have been attributed to Adeni sympathizers, may have been intending to curtail the activities of anti-Adeni dissidents operating from his territory. Al-Ayni will now be under pressure, however, to take a more aggressive stance toward the regime in Aden. (SECRET NO FOREIGN DISSEM)

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TUNISIA: The Destourian Socialist Party congress last week clearly demonstrated the strength of political sentiment favoring more democracy and less authoritarianism.

The congress received President Bourguiba with the respect befitting his status as party founder, but the more than 1,000 delegates indicated they wanted to press forward toward the post-Bourguiba era. Nonetheless, Bourguiba was re-elected by acclamation as party president, a post he is bound to consider more than ceremonial. He was offered, but declined, the party presidency for life and announced that he would not seek re-election as the country's president when this term expires in 1974. Bourguiba once again expressed full confidence in Prime Minister Hedi Mouri and indicated that he should succeed to the presidency.

Succession was by far the most important issue before the congress. The delegates demonstrated their independence by indicating that in the event of a presidential vacancy Bourguiba's successor should be elected. As the constitution now stands, Mouri is Bourguiba's legal heir, and a constitutional amendment changing the arrangement would require a minimum of three months before it could become effective. The decision to try to amend the constitution is up to the party central committee.

The delegates also expressed their preference for the reformists, who seek to establish democratic institutions and practices. The reformists won a majority in the new 58-member central committee. Several persons close to Bourguiba barely won election, while other prominent proteges failed. Bourguiba's son was elected by a comfortable margin, but the delegates gave the highest number of votes to former premier Bahi Ladgham, whom Bourguiba repudiated last year.

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The reformists lacked sufficient backing to have the policy-making 14-member political bureau elected by the plenary congress, and it will now be elected by the central committee. Composition of the bureau will give some indication as to whether Bourguiba is ready to respond to the committee's wishes or whether he will exert pressure to influence the selection of a more conservative bureau. (CONFIDENTIAL)

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NOTES

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EAST PAKISTAN: Ships of the seven lines that earlier were reported to have indefinitely suspended service to East Pakistan are still arriving. The lines have apparently recognized that they must maintain service or risk losing their business to tramp steamers. In the absence of further significant guerrilla attacks on shipping, the US Consulate in Dacca believes that the lines must continue to meet their schedules. In any case, food shipments are affected only marginally because nearly all arrive on nonscheduled charter vessels. (CONFIDENTIAL)

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YUGOSLAVIA-USSR: Following bilateral discussions held in Moscow last week, the USSR extended its first industrial credit to Yugoslavia since 1966. It will finance construction of a 210-megawatt thermal power plant in 1972-73. Soviet credits for the Yugoslav iron and steel, nonferrous metallurgy, and bauxite industries, as well as medium-term loans to finance the manufacture of products that the USSR wants to purchase, also were discussed. The negotiations reflect pressure from Yugoslav business interests to increase Soviet imports at a time when hard currency and internal capital are short and when Moscow appears receptive to improving economic relations with Belgrade. The projected visit to Belgrade by Soviet Gosplan Chairman Baybakov before the end of the year for concrete negotiations on trade and economic cooperation may result in additional credits. (CONFIDENTIAL)

* * * *

DENMARK: The new government yesterday imposed a ten-percent global import surcharge to be maintained through March 1973 to counter chronic balance-of-payments problems. The surcharge, which will be decreased to seven percent in July 1972 and to four percent in January 1973, represents an interim measure prior to Danish membership in an expanded EC in 1973. A current-account deficit exceeding \$500 million last year, followed by a \$187-million current-account deficit in the first quarter of this year, heightened governmental concern over Denmark's thin international reserves. Higher EC price levels should wipe out most of this deficit, however, thus alleviating the need for the continuation of the surcharge. The Swiss have been the first of Denmark's EFTA partners to protest the move vigorously as a breach of Denmark's EFTA commitments. (CONFIDENTIAL)

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UK: The reduction by Barclays, Britain's largest bank, of its basic lending rate to 4.5 percent should stimulate the economy while weakening the pound slightly in foreign-exchange markets. Last August London prohibited interest payments on new foreign bank deposits, but capital inflow from the sterling area, which was exempt, has persisted because of higher British interest rates. The rate reduction is a precedent; the Bank of England has not yet reduced its own rate from five percent. Barclays is the first bank to take advantage of this form of competition permitted by the Bank of England's new system of monetary control. Other leading banks are likely to follow Barclays' lead in reducing rates because the economy continues to be sluggish and credit demand remains weak. (CONFIDENTIAL NO FOREIGN DISSEM)

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